



**Director of
Central
Intelligence**

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Contents

Situation Report

Poland 1

Briefs and Comments

[Redacted]

25X1

Morocco: *Strains on the Economy* 7

[Redacted]

25X1

China: *SLBM Test Preparations* 8

Kampuchea: *Planting Lags* 9

Zaire: *Cabinet Changes* 9

Special Analysis

Poland: *Implications of Labor Crisis* 10

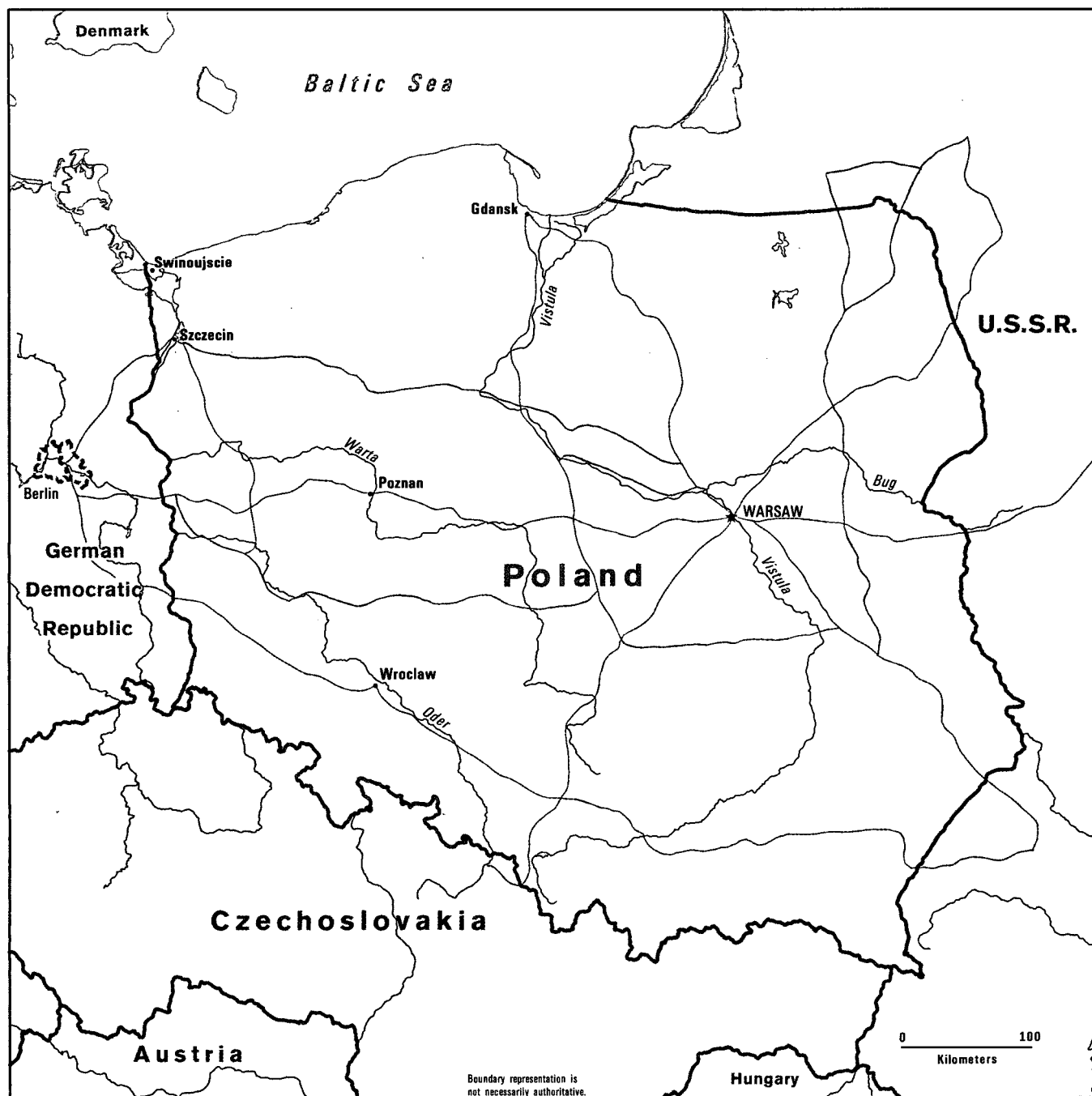
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28 August 1980



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SITUATION REPORT

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POLAND

Strike leaders in Gdansk claimed yesterday they had reached a preliminary agreement with the government on the issue of free trade unions. [redacted]

The government's chief negotiator, Mieczyslaw Jagielski, contradicted this claim on Gdansk radio and television last night, stating that the two sides had reached agreement on almost all the workers' demands except for the free trade union issue. The agreement referred to by the strike leaders may have been reached in the subcommission of experts, set up Tuesday to examine the trade union issue, rather than in the formal talks. Negotiations are slated to resume today. [redacted]

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Strikes continue to spread across Poland, with the situation in Wroclaw and Poznan apparently "worsening." There is no pattern to the strike activity. Some are clearly expressions of solidarity with the strikers on the Baltic coast; others focus on local economic and sometimes political demands. Many of the solidarity strikes apparently are brief walkouts. [redacted]

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In a recent interview with a Western journalist, Gdansk strike leader Lech Walesa said he did not favor the spread of strikes throughout the country, which he thought would lead to a "very grave situation." Instead, he said the other areas should continue to produce enough goods for the nation and that the Gdansk workers would make demands on their behalf. [redacted]

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The reaction to Cardinal Wyszynski's homily on Tuesday has been mixed. Some Poles reportedly believe the Polish Primate undermined the strikers' position, while others think that the strikers should now be more conciliatory. The Polish media apparently have been rebroadcasting excerpts from Wyszynski's sermon. [redacted]

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28 August 1980

25X1

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Harsher Soviet Rhetoric

The Soviet media yesterday for the first time stated that "anti-socialist forces" were increasing their "subversive activity" within Poland, and repeated an earlier charge that "certain West German political circles" were raising revanchist claims against Poland. TASS asserted that these internal and external forces were uniting "to push Poland off its chosen socialist road." Although briefly mentioning yesterday's *Trybuna Ludu* editorial, which explicitly raised the specter of Soviet intervention, TASS did not cite its more ominous statements.

25X1
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25X1

Top Secret

28 August 1980

Page Denied

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Top Secret

25X1

MOROCCO: Strains on the Economy

Economic austerity measures and heavy defense spending have scuttled Morocco's ambitious industrialization plan and will limit real economic growth to about 2 percent this year.

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Morocco's import-dependent economy has been hard hit by austerity measures adopted following the collapse of the phosphate export market in 1976. Substantial cuts in government spending, liquidity shortages, and import restrictions have contributed to the economic slowdown, particularly in construction and manufacturing. Despite price controls introduced in early 1979, consumer prices continue to rise.

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The Saharan conflict is likely to absorb a larger share of scarce domestic revenues this year, precluding increased spending on social programs and thus contributing to labor unrest. While neither the labor movement nor opposition parties are well enough organized to challenge King Hassan, they are capable of disruptive protests.

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Expenditures related to the war are likely to total about \$850 million this year, about 40 percent of all Moroccan defense-related spending.

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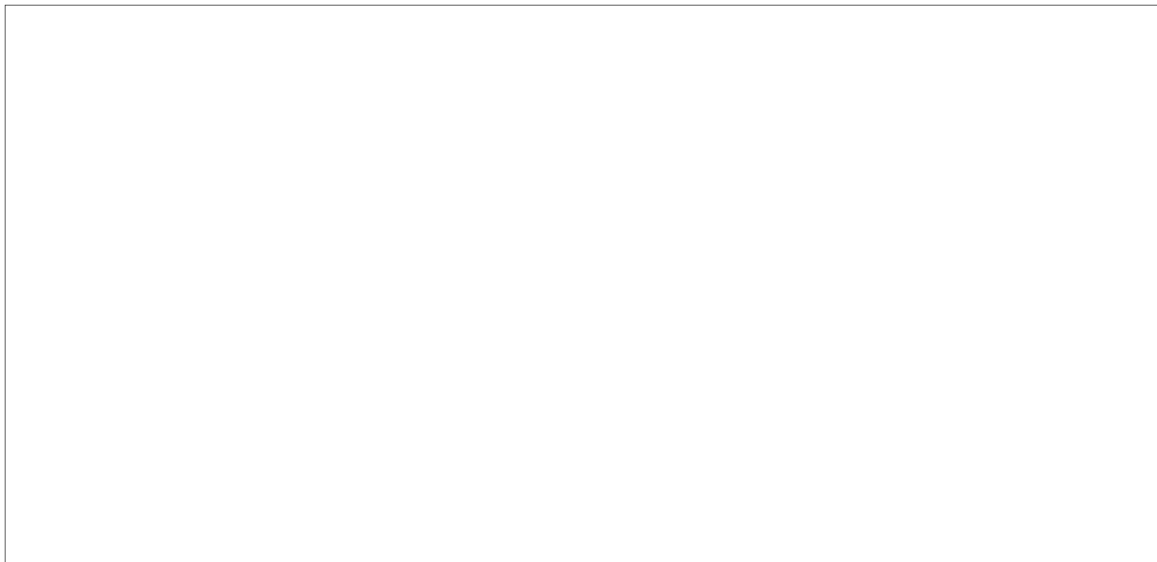
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28 August 1980

Top Secret

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CHINA: SLBM Test Preparations

China evidently is planning to conduct its first flight test of a submarine-launched ballistic missile within the next few months. The missile was seen for the first time last week in [redacted] the Wuzhai test center southwest of Beijing where initial land-based firings are expected to occur. Although the activity observed there appears typical of missile handling and checkout exercises that would precede a launch, additional preparations--including [redacted] the refurbishment of certain test-range facilities--are expected before the first launch. [redacted]

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Top Secret

28 August 1980

Top Secret
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KAMPUCHEA: Planting Lags

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With about one month left in the rice planting season, the regime in Phnom Penh probably will not come close to its announced planting target of 1.5 million hectares. The amount of seed available is not sufficient to cover the area planned, and planting of available seed is behind schedule. Losses of seed to insects and rodents during storage and transport and to hungry peasants have been substantial and could reduce the area planted to well under 1 million hectares. According to the US Embassy in Bangkok, the lag in planting can be attributed to dry conditions in the western and southeastern parts of the country, the shortage of draft animals, and the farmers' debilitation from inadequate diet. [redacted]

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ZAIRE: Cabinet Changes

The most significant changes in President Mobutu's cabinet reshuffle yesterday were the demotion of Minister of Defense General Babia to Minister of Social Affairs and the elevation of Foreign Minister Nguza to Prime Minister. Mobutu has taken over as Defense Minister, a position he held until he relinquished it to Babia last January; Babia's demotion may be related to ethnic rivalries among senior military officers. Former Prime Minister Bo-Boliko was appointed Executive Secretary of the Popular Movement for the Revolution, Zaire's sole political party. Mobutu may have decided to replace Bo-Boliko with Nguza because the latter's views on government changes and reforms may be closer to the President's. Bo-Boliko, a skillful administrator, is a logical choice to carry out Mobutu's plans to revitalize the party. [redacted]

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Top Secret
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28 August 1980

Top Secret
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SPECIAL ANALYSIS

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POLAND: Implications of Labor Crisis
[redacted]

The current labor crisis has demonstrated that the Polish regime is bankrupt, practically powerless, and must rely on outside forces, primarily the Church and the USSR, for its survival. Even if the strikers in Gdansk should return to work soon, Poland will remain in a very unsettled condition for some time to come. [redacted]

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The regime clearly is not in control of its own fate, and time is not on its side. Although the economic costs of the strikes obviously continue to mount, the greater danger is that a lengthy impasse in Gdansk could result in the entire population demonstrating its distrust of the Polish Communist Party. The strikes--and the unprecedented candor of the domestic media in reporting the situation--have probably already eroded the reliability of the police and other security forces. The regime may no longer be confident of its ability to use force. [redacted]

The government's current tack is to raise more dramatically than ever before the dangers of national rebellion and the prospect of Soviet intervention in order to increase the pressure on the strikers and to scare the Church into coming to its aid. This tactic apparently has worked--at least with regard to the Church--but its use demonstrates the few options open to the regime. [redacted]

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Besides continuing its current tactics, the regime can buy time with new promises, offer up party chief Gierek as a scapegoat, or, in the extreme, risk the use of force. [redacted]

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The Church

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Using increasingly specific language, the Church under Cardinal Wyszynski has made it clear it believes the current crisis has placed the "fate of Poland" in jeopardy. The Polish Primate has no great love for Poland's Communist system or rulers, but he believes the

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Church is the carrier of the Polish national spirit, and he will do whatever he can to prevent the ultimate national tragedy, a Soviet military occupation of Poland. 25X1

The effect of the Church's statements on the willingness of strike leaders to compromise is unclear, but strike leader Lech Walesa has indicated he understands the intended message. At the very least, the Church's actions and statements will raise serious questions of conscience for the striking workers. 25X1

The Church will undoubtedly become even more directly involved if it perceives a worsening of the situation. Through sermons and the activity of local priests, the Church could try to prevent the spread of strikes. Cardinal Wyszynski could lay his prestige even more directly on the line by going personally to Gdansk. Finally, Pope John Paul II could make a more direct appeal. 25X1

Such Church activity and appeals could be most effective in the situation where regime negotiators and strike leaders had agreed to compromise solutions and needed help selling them to some of the more militant workers. 25X1

The Workers' View

The key variable with regard to a peaceful settlement remains the willingness of strikers to compromise. Although some strike leaders publicly are unrelenting, there are signs that they are prepared to give some ground. Their agreement to separate study of the free trade union issue outside the kleig lights of the formal negotiations enhances the chances of frank talks and possible compromise. 25X1

This move may be in response to pressures building on the strike leaders. In addition to the Church's warnings, some of the dissidents advising the strikers believe that the regime has given as much on the trade union issue as it can. 25X1

More pressure may be necessary, however, to bring the militant strike leaders around to the view that the

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Top Secret

28 August 1980

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dangers inherent in the situation have come to outweigh the gains they seek. They clearly are less prepared than in the past to be bought off with promises. Past unfulfilled promises have engendered a cynicism and suspicion that will cause negotiations to drag out. At a minimum, the strikers appear to feel no sense of urgency about moving to reach a quick settlement. [redacted]

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A number of different events might make the strikers more willing to give ground, but the most effective pressure would almost certainly be tough talk and sabre-rattling from Moscow. [redacted]

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After Gdansk

Resolution of the trade union issue in Gdansk could be only a first step. There are other political demands that could become sticking points, although strikers now seem less adamant on these issues. Negotiations in Szczecin and elsewhere in the country are going on independent of the talks in Gdansk and could become a new focal point of nationwide attention. Strikes centered on purely economic demands will continue to leapfrog across Poland, encouraged in part by the nature of the settlements struck on the Baltic coast. [redacted]

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Tensions within factories will remain high as suspicious workers wait for the regime to deliver promises made under duress. The regime's instinctive reaction will be to delay implementing concessions and to dilute their significance. The workers' more militant mood and newly discovered sense of solidarity probably will make them intolerant of such tactics. [redacted]

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The Soviets

The Soviet leadership is continuing for the present to maintain a public distance from the Polish crisis, and has sought to dampen speculation about Soviet intervention. Hoping that the Polish Communist Party can resolve the strikes on its own, Moscow appears willing to allow Gierek's new, more conciliatory approach time to produce results. [redacted]

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The Soviets have at the same time, however, shown their anxiety over the concessions Gierek is offering by such measures as jamming Western broadcasts, selective editing of Gierek's remarks, and by repeating his statements that changes affecting the basis of the socialist system will not be tolerated. []

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If the strikes could be ended solely with economic concessions, the Soviets would almost certainly provide Warsaw with some economic aid, as they did in 1970 and 1976, to enable it to weather the short-term effects of the strikes and wage increases. Moscow's willingness, however, to provide the long-term economic aid Poland requires is questionable. The Soviets have their own economic problems, have long begrudged what they see as their subsidy of Poland's standard of living--which is higher than their own--and would worry about additional demands from elsewhere in Eastern Europe. []

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Circumstances could compel the Soviets to go along with some concessions in the political area--such as some loosening of party control--with the hope that these could be tightened once again when the crisis has past. The Soviets could not, however, tolerate genuinely independent trade unions or the abolition of censorship. This would "strike at the foundations" of socialism, which they have declared to be unacceptable. []

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Should current negotiations fail to bring appreciable progress over the next few weeks, or if the situation should continue to deteriorate, Moscow would be likely to apply political pressure on Gierek to adopt a tougher line toward the strikers. Moscow could couple this with open warnings of Soviet intervention--and perhaps demonstrative military moves around Poland--in an effort to impress the strikers and the Church with the gravity of the crisis. If these measures failed, Moscow might urge that Gierek be replaced. []

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Another choice would be to advise the Polish party to use force. If Polish force did not resolve the problem, the Soviets would consider the possibility of military intervention. The ramifications of such a move on Eastern Europe as a whole and on Moscow's relations with the West would make the Soviets anxious to exhaust all other possibilities first. If they concluded that the Communist system in Poland was in danger of collapsing, however, they would accept the enormous costs that their military intervention would bring. []

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28 August 1980

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